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Mr. Lawrence C. Tolson
 Acting Assistant Secretary
 for Domestic and International Affairs
 Department of Commerce
 Washington, D. C. 20230

JUN 12 1967

Dear Harry:

Communications Equipment to Western Europe

The United Agreement to your June 7 letter states that Commerce is not prepared to accept the State proposal to enter no objection to any CCOM exemption case for export to Western Europe and the USSR of the frequency division multivibrator equipment the U.K. proposed to remove from embargo, if the recipient government provided an assurance of peaceful end-use. Defense had previously concurred in the State proposal. CIA's April 28 memorandum restated their view that the strategic argument is valid but they recognize there may be overriding foreign policy considerations in this case.

We believe there are overriding foreign policy considerations. A major objective in CCOM is to prevent exports to China which would contribute significantly to that country's nuclear and missile programs. U.S. refusal to relax various items, including communications items, has let other CCOM participating countries to obtain interpretations under which exports to China as well as to Western Europe are permissible. There are some items important to China which we still probably want to add to the CCOM list. Items will be very relevant to a new waiver on a China argument if the U.S. has not already demonstrated a liberal position on exemption cases to Eastern Europe for existing items for which China is the main justification. Controlling exports to China is not our only objective in CCOM but, in this instance, we believe it is our preeminent objective.

The attachment to your letter suggests that any relaxation of this item should be considered as part of a larger package with which to seek a quid pro quo. In a formal sense, it is not possible to seek a quid pro quo in return for a U.S. policy on exemption cases. This policy would not logically be documented together with international agreement on other issues of interest by the U.S. In an informal sense, the U.S. has already obtained a substantial quid pro quo. The U.S. raised the subject as an obvious bargaining point in connection with

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the U.S. proposal for a consultation arrangement on computer exports to China. Yet the U.K. proceeded to agree with the U.S. computer proposal without waiting for a U.S. reply on the communications items. It is true, of course, that the U.S. had previously agreed to the export of U.S.-origin parts for the British IBM 4-50 computer to Czechoslovakia in return for British agreement to discuss the U.S. computer proposal. However, even if the computer arrangement were completely discounted as a quid pro quo (which I think would be an exaggeration), we also now have British acceptance of our arguments on communications equipment as far as China is concerned. This is a significant milestone in that they do not concede that communications equipment meets the CACTI criteria for embargo. In other words, the British position constitutes a form of acceptance of a China differential. The prospect of no further British attacks in COMINT on this item constitutes a big plus in terms of reducing bitterness at future List Reviews.

We therefore plan to send a letter to the United Kingdom in a few days along the lines of our April 14 proposal to you (copy enclosed).

Sincerely yours,

Joseph A. Freymann
Deputy Assistant Secretary
for International Trade Policy

Enclosure:

Copy of letter to the United Kingdom.

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cc: Defense - Mr. Barber
CIA - Mr. Morell

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Mr. John A. Gilligan
Undersecretary (Commerce)
3300 Massachusetts Avenue, N.W.
Executive Agency
Washington, D.C. 20585

Dear Mr. Gilligan:

On February 24 you advised that the Government of the U.S. proposes to
(1) relax the embargo on frequency division multiplex equipment, as
described in COMINT Doc (66) 1520/2 and (2) delete the embargo on
conventional coaxial cable, sub-item 121(c). At that time I suggested
the special U.S. criteria on export of these items to India. On
April 12 Mr. O'Brien informed us that, although you do not feel the
total ban on embargo of, e.g., listing of the strategic criteria, you
accept the U.S. suggestion in far as India is concerned. We appreciate
your response.

I would like to confirm that the U.S. will enter no objection on any
COMINT case, even cases for imports to Central Europe and the USSR of items
you, however, do not feel are strategic, provided that, in the case of commercial
cables, delivery is restricted to and carried beyond twelve months from
the day of signing of the contract and amounts for individual trans-
actions are reasonable and, in the case of multiplex equipment, the
recipient government provides an assurance of peaceful end-use. It
is not expected that this condition will cause difficulties, because
the Indian trading organizations in these industries normally provide
statements on end-use.

Sincerely yours,

J. G. A. Greenbank
Deputy Assistant Secretary
for International Trade Policy

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